



Department of Justice



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AT
(202) 514-2007
TTY (866) 544-5309

THREE NEW JERSEY INVESTORS PLEAD GUILTY TO BID RIGGING AT MUNICIPAL TAX LIEN AUCTIONS

WASHINGTON – Three financial investors who purchased municipal tax liens at auctions in New Jersey pleaded guilty today for their roles in a conspiracy to rig bids at tax liens auctions held by municipalities, the Department of Justice announced.

Charges were filed today in U.S. District Court for the District of New Jersey in Newark, N.J., against Isadore H. May of Margate, N.J.; Richard J. Pisciotta Jr. of Long Beach Township, N.J.; and William A. Collins of Medford, N.J.

According to the felony charges, from at least 2003 through approximately February 2009, the investors participated in a conspiracy to rig bids at auctions for the sale of municipal tax liens in New Jersey by agreeing to allocate among certain bidders which liens each would bid on. The investors proceeded to submit bids in accordance with their agreements and purchased tax liens at collusive and non-competitive interest rates.

“The collusion taking place at these auctions is artificially raising the interest rates that financially distressed home and property owners must pay, and is lining the pockets of the colluding investors,” said Sharis A. Pozen, Acting Assistant Attorney General in charge of the Department of Justice’s Antitrust Division. “The Antitrust Division will vigorously pursue these kinds of collusive schemes that eliminate competition from the marketplace.”

The department said that the primary purpose of the conspiracy was to suppress and restrain competition to obtain selected municipal tax liens offered at public auctions at non-competitive interest rates. When the owner of real property fails to pay taxes on that property, the municipality in which the property is located may attach a lien for the amount of the unpaid taxes. If the taxes remain unpaid after a waiting period, the lien may be sold at auction. State law requires that investors bid on the interest rate delinquent homeowners will pay upon redemption. By law, the bid opens at 18 percent interest and, through a competitive bidding process, can be driven down to zero percent. If a lien remains unpaid after a certain period of time, the investor who purchased the lien may begin foreclosure proceedings against the property to which the lien is attached.

According to the court documents, May, Pisciotta and Collins conspired with others not to bid against one another at municipal tax lien auctions in New Jersey. Because the conspiracy

permitted the conspirators to purchase tax liens with limited competition, each conspirator was able to obtain liens which earned a higher interest rate. Property owners were therefore made to pay higher interest on their tax debts than they would have paid had their liens been purchased in open and honest competition.

Each violation of the Sherman Act carries a maximum penalty of 10 years in prison and a \$1 million fine for individuals. The maximum fine for a Sherman Act violation may be increased to twice the gain derived from the crime or twice the loss suffered by the victim if either amount is greater than the \$1 million statutory maximum.

Today's charges are part of efforts underway by President Barack Obama's Financial Fraud Enforcement Task Force (FFETF). President Obama established the interagency FFETF to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit www.StopFraud.gov.

The ongoing investigation is being conducted by the Antitrust Division's New York Field Office and the FBI's Atlantic City, N.J., office. Anyone with information concerning bid rigging or fraud related to municipal tax lien auctions should contact the Antitrust Division's New York Field Office at 212-335-8000, visit www.justice.gov/atr/contact/newcase.htm or contact the Atlantic City Resident Agency of the FBI at 609-677-6400.

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